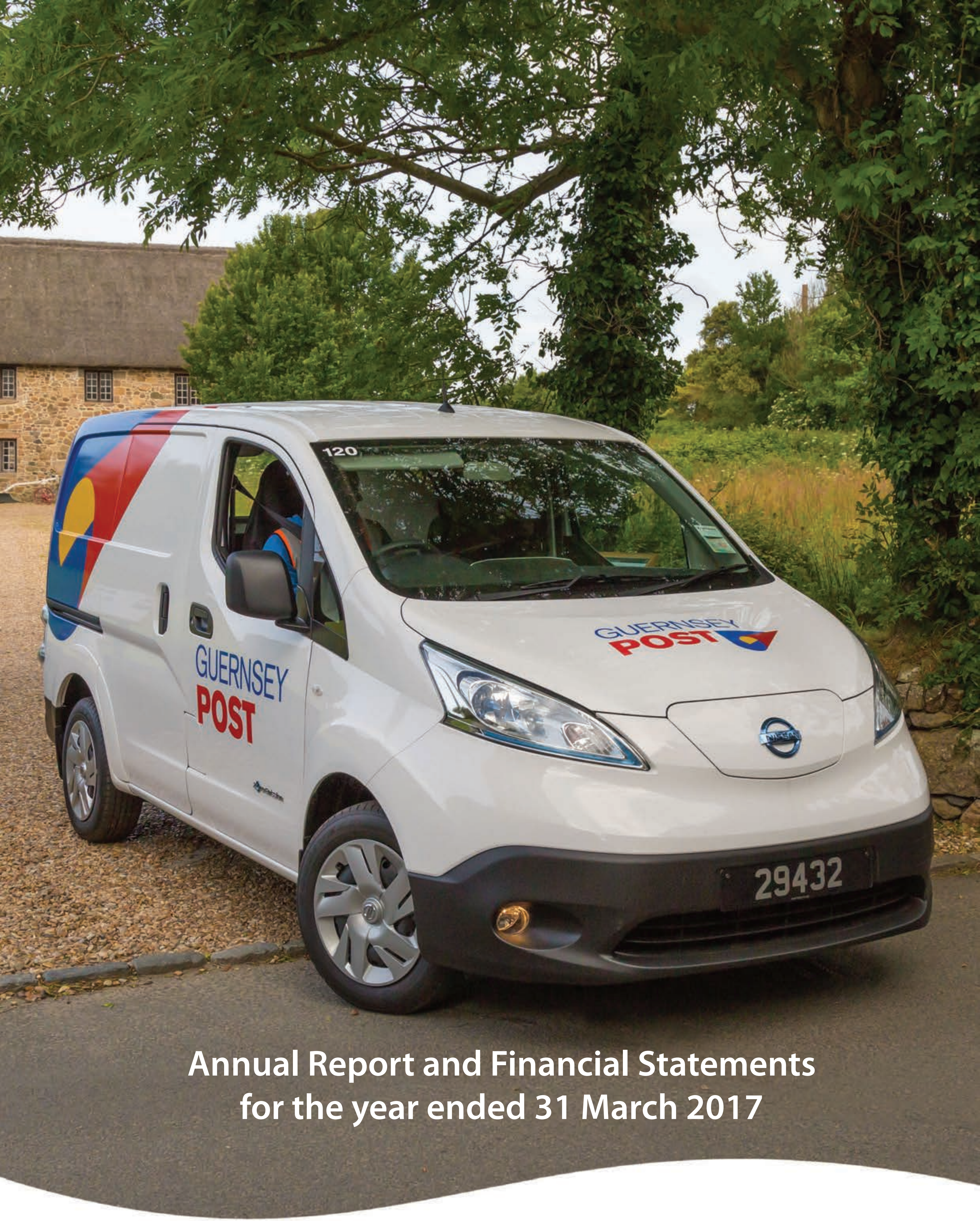


Annual Report and Financial Statements for the year ended 31 March 2017

GUERNSEY
POST

CONTENTS

GUERNSEY POST

Directors:	Andrew Duquemin (Chairman) Boley Smillie (Chief Executive) Steve Sheridan (Finance) Steve Hannon (Non-Executive) Stuart Le Maitre (Non-Executive) Simon Milsted (Non-Executive) Richard Digard (Non-Executive) (appointed 29 March 2017)
Auditor:	KPMG Channel Islands Limited Chartered Accountants Glategny Court Glategny Esplanade St Peter Port GUERNSEY GY1 1WR
Actuaries:	BWCI Consulting Limited Actuaries and Consultants PO Box 68 Albert House South Esplanade St Peter Port GUERNSEY GY1 3BY
Registered Office:	Envoy House La Vrangue St Peter Port GUERNSEY GY1 1AA
Greffe Registration Number:	38693

CHAIRMAN'S STATEMENT

> *I am delighted to report on an excellent set of results for the year ended 31 March 2017, with a healthy reported operating profit of £2.3m.*
>
> *The single biggest achievement in the past year has been the successful implementation of the Company's pension reforms. With effect from 1 August 2016, all or our employees agreed to leave the States of Guernsey Public Sector Defined Benefit Scheme*

THE PAST YEAR

I am delighted to report on an excellent set of results for the year ended 31 March 2017, with a healthy reported operating profit of £2.3m.

The single biggest achievement in the past year has been the successful implementation of the Company's pension reforms. With effect from 1 August 2016, all of our employees agreed to leave the States of Guernsey Public Sector Defined Benefit Scheme, moving into the newly established Guernsey Post Defined Contribution Pension Scheme. By its very nature, the result of this change for the Company and its employees means that the business can now operate with far greater financial certainty as it continues to face up to future challenges and threats whilst also embracing new opportunities. Reform of the Company's pension arrangements took significant effort over a number of years to achieve, and my sincere thanks go to all members of staff for their acceptance of the need for change.

The Company has enjoyed a positive trading year, particularly from bulk mail revenues, where we have worked extremely hard to facilitate growth from our existing customer base. However, despite the overall strong financial performance, the Company continues to face the challenge of further erosion to its core revenue base. In particular, traditional letter volumes continue to fall, due to the effect of digital substitution. The use of the internet to transact at the expense of traditional postal services will only accelerate this trend as these methods of communication become even more commonplace.

On the upside, changing customer purchasing habits, combined with the benefit of technology and the convenience of online shopping, continues to yield significant benefits for the business, with the strong underlying growth of parcel volumes delivered on Island. In recognition of the importance of managing the significant fluctuations in core volumes, the Board has a clear plan in place to mitigate the impact of the decline in letters and to build on the growth of parcels. In this regard, the Company will continue to invest in further service enhancements, with better track and trace services, the expansion of alternative collection points and improvements in the online shopping returns process. The Company is also developing its online offering designed to provide a wider range of products and services, as well as far greater flexibility and control to customers in managing their delivery preferences.

Reflecting the evolving nature of our business, the past twelve months has also seen further consolidation within our operation of the letter and parcel delivery network, achieved through a significant change and rationalisation initiative that will conclude by the second quarter of 2017. It is particularly encouraging to see the benefits of this project being realised, with combined single daily deliveries now in place across the majority of the island, as well as the creation of additional capacity to accommodate further parcel delivery growth.

A consequence of this project has been the need to increase the overall size of our fleet of delivery vehicles. In this regard, I am pleased to report that the Company has recently accepted delivery of 19 new electric vehicles. The Company has worked closely with a number of local suppliers to find both a financially viable solution, whilst, at the same time, reducing the impact of its delivery infrastructure on both the island and wider environment with a reduction in overall vehicle emissions.

> *The notable progress made over the past twelve months, complimented by this year's positive set of financial results, is a real credit to our hard working and loyal members of staff across the whole of the business*

CHAIRMAN'S STATEMENT

CAPITAL STRUCTURE AND DIVIDEND

In light of the reform of the Company's pension scheme and with consideration to the Company's strategy and business risk and future funding requirements, the Board undertook a review of the organisation's capital structure during the year, which concluded in the approval and completion of a further return of £6m of capital to the States of Guernsey, by means of a repurchase and cancellation of shares. Over the last 5 years, the Company has returned a total of £14.5m of excess capital to the States of Guernsey by this means.

In the context of the overall financial position of the business, combined with strong underlying operational performance, the Board is pleased to propose an ordinary dividend in respect of the year ended 31 March 2017 of £564k

Furthermore, with strong investment performance experienced on the Company's balances held with the States of Guernsey Cash and Investment Pool, the Board is also pleased to propose a further one-off special dividend of £1m in respect of the same period.

THE BOARD

Having undertaken a skills gap analysis during the past year, the Company is delighted to welcome a new Non-Executive Director, Richard Digard to the Board.

Richard is a career journalist, editor and newspaper management specialist, who has extensive experience at director level of running the Channel Islands' two daily newspapers, plus other titles and digital publications. He also brings experience in the deployment of new technologies for efficiency gains, which will become increasingly important to the Company going forward.

The Board continues to ensure that strong corporate governance is at the forefront of everything it does and the addition of Richard to the Board will further strengthen this commitment.

THE FUTURE

The outlook for the year ahead is very much unchanged, being one of cautious optimism. Whilst pension reform has now provided the Company with a position of financial certainty and medium-term sustainability, the relentless decline of mail volumes will continue to erode this position if left unchecked.

The Company is committed to pursuing its medium-term strategy, both in terms of further growth in existing markets such as bulk mail, alongside the development of new complimentary products and services.

Our focus will also include ongoing process improvement and technical innovation to ensure we meet, or exceed, our customers' expectations. The Board is committed to ensuring that Guernsey Post is sufficiently well equipped for the future, whilst, at the same time, delivering maximum value to its Shareholder.

The notable progress made over the past twelve months, complimented by this year's positive set of financial results, is a real credit to our hard working and loyal members of staff across the whole of the business and I would like to take this opportunity to thank each and every one for their efforts and dedication throughout the year. It is very much appreciated by myself and my fellow Directors

A M Duquemin, ***Chairman***
July 2017

Early morning collection at Guerney airport.

Business Review for the Year

OUR RESULTS

Guernsey Post is pleased to report an operating profit of £2.3m for the year ended 31 March 2017, which, on a like for like basis, equates to an increase of £1.8m on prior year.

Whilst our overall 2017 results represent a positive sign for the Company, particularly with the removal of the sizeable pension financial obligations, we do still face significant challenges ahead in terms of declining mail volumes, development of existing and investment in new and innovative products and services to meet customer expectations and further inward investment in our sortation infrastructure to keep up with and facilitate further growth in parcel volumes.

PROFIT AND LOSS

Turnover for the year was £31.0m, which is marginally higher than the prior year. Continued and pleasing growth was seen in inward packet and parcel volumes in the year, albeit this was offset in the most part by a small reduction of bulk mail revenue. On a like for like basis, the Company experienced some pleasing underlying year on year growth in its bulk customer base.

Expenditure for the year was £28.8m, a decrease of £1.6m on prior year. Direct costs associated with servicing our revenue streams have seen a decrease of 2% to £13.7m. Changes in revenue mix and reductions in overall revenues are the primary drivers, whilst conveyance costs and contractual postal terms have remained broadly stable during the year.

Staff costs for the year were £10.6m, representing an unchanged position on prior year, with a marginal increase in the number of full-time equivalent employees also seen.

Pension related service costs of £0.3m reduced by £1.7m in the year and was as a direct consequence of the exit from the States of Guernsey Public Servants Pension Scheme with effect from 1 August 2016.

Profit before Tax for the year, excluding exceptional items associated with the exit from the States of Guernsey Public Servants Pension Scheme, was £3.5m, an improvement of £3.6m on prior year. Notwithstanding the reduction in the pension service costs noted above, the other key driver for the improved performance was the yield achieved on funds placed within the States of Guernsey Cash and Investment Pool of £1.5m, which represented an increase of £1.3m on prior year.

BALANCE SHEET

Shareholders' funds were £22.4m, up from £4.2m in the prior year, with the increase again being mostly attributable to Company's exit from the States of Guernsey Public Servants Pension Scheme and the subsequent unwinding of the FRS102 pension liability. The Company continues to operate with a strong Balance Sheet and a healthy liquidity position, despite returning £6m to our Shareholder via a share buyback during the year. At the year end, the Company reported a cash balance of £1.0m, alongside balances held with States Treasury of £10.1m and £3.8m of current assets, supported by a £12.0m fixed asset base. Reported current liabilities and provisions were £3.5m and £1.1m respectively.

CASHFLOW STATEMENT

The Company had outward cash movements of £4.5m during the year, with net cash generated from operations contributing £0.7m in the year.

The primary cash flow adjustments related to a £6.0m share buyback during the period, the effect of which was partially offset by higher than anticipated investment returns on funds invested by the States Treasury on the Company's behalf. This generated £1.4m of inward cash flows during the period as a result of increased yields on funds placed within the States of Guernsey Cash and Investment Pool.

Capital spend in the year was £0.5m, the primary investment being £0.2m in the replacement and increase of its vehicle fleet as part of its ongoing fleet replacement programme and the Company's wider combined letters and parcels delivery strategy. A further capital investment of £0.2m was made in respect of upgrading the Company's IT infrastructure.

> *Guernsey Post is pleased to report an operating profit of £2.3m for the year ended 31st March 2017, which, on a like for like basis, equates to an increase of £1.8m on prior year.*

OPERATIONAL SUMMARY

Total number of mail items handled during the year was approximately 42m. Total inward mail delivered was down 5% on prior year and was particularly impacted by the ongoing decline seen in inward UK letters. Local mail delivered also experienced a decline of 6% in the year.

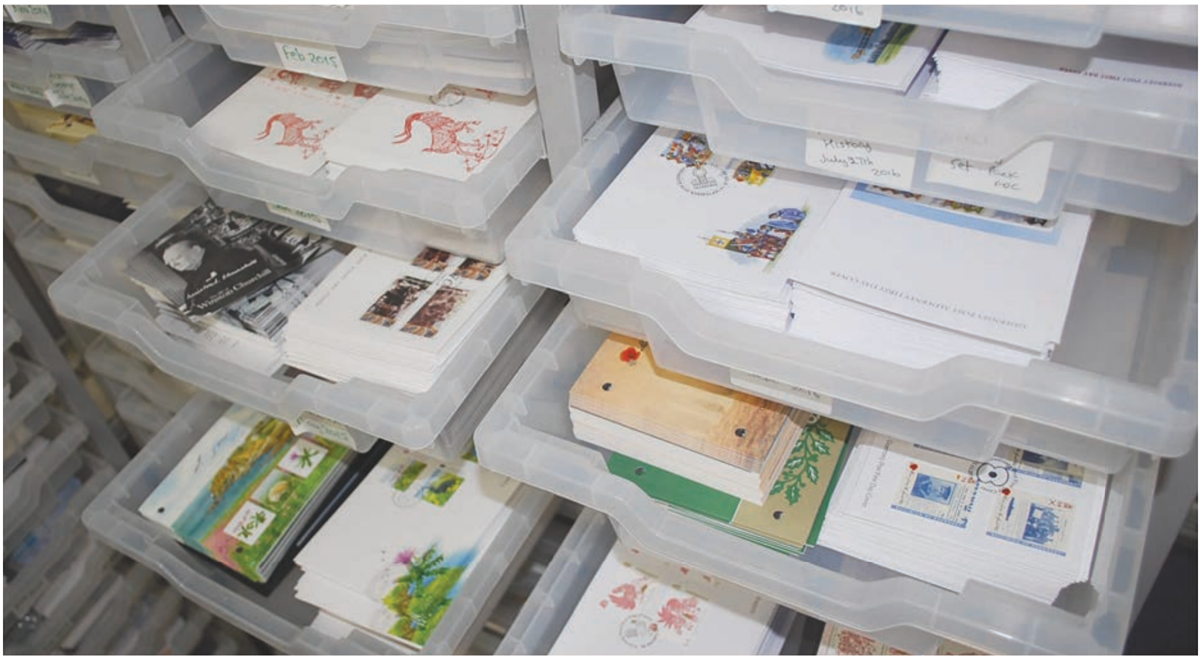
Total outward mail was up 3% on prior year, primarily as a result of an increase in outward bulk volumes during the period.

With the exception of mail delivered to and from Jersey, elements of which were outside of our control, quality of service performance results for the year have exceeded the set targets for each of the measures, as illustrated below, and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.

Both the Bailiwick to Jersey and Bailiwick to the UK networks were impacted by higher than normal flight disruptions during the year, primarily as a result of poor weather, which are reflected in the performance statistics below.

QUALITY OF SERVICE PERFORMANCE

	2014/15	2015/16	2016/17	Target
LOCALLY POSTED MAIL				
Delivered Locally	98%	99%	99%	95%
Delivered in Jersey	85%	85%	71%	82%
Delivered in UK	86%	85%	83%	82%
MAIL POSTED OUTSIDE OF GUERNSEY, AND DELIVERED IN GUERNSEY				
Posted in Jersey	88%	83%	77%	82%
Posted in UK	81%	87%	84%	82%



BOARD PROFILE

Andrew Duquemin
CHAIRMAN

Andrew Duquemin has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He has extensive experience in the listing of companies on both the London Stock Exchange and The Channel Islands Stock Exchange. He is also a director of Corporate Consultants Limited, a Guernsey based consultancy business that has provided corporate finance and management consultancy services since 1991.

He is Chairman of Elysium Fund Management Limited, a Company providing fund management, administration and corporate finance services to a range of funds and trading companies. Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered Company and wholly owned subsidiary of Collins Stewart Tullett plc, where Andrew was managing director.

Andrew sits on the Boards of several local trading companies, a London-based investment bank and a recently formed P2P business. He is a Fellow of the Chartered Institute for Securities & Investment, a Chartered Wealth Manager and holds the advanced diploma in Corporate Finance.

Boley Smillie
CHIEF EXECUTIVE

Born and raised in Guernsey, Boley Smillie joined Guernsey Post in 1991 straight from his secondary education at La Mare de Carteret School. The subsequent twenty six years have seen him gain a wide range of experience in different roles, rising through the ranks of the Company. Initially employed as a Clerical Assistant, he moved to Customer Services, then on to Logistics before being promoted to Head of Letters and Parcels in 2004. He became Operations Director in 2007 and an Executive Director in April 2010. In July 2010, he was appointed interim Chief Executive before taking the role on a permanent basis in September 2010.

During this time he has added to his hands on experience by undertaking a number of professional qualifications, including certificates in marketing, business and finance. Most recently he was awarded the certificate in Company Direction from the Institute of Directors.

Steve Sheridan
FINANCE DIRECTOR

Steve Sheridan was born and educated in Nottingham, before work opportunities brought him to Guernsey in 1993.

He has over 20 years' experience in accountancy and financial control, holding a number of senior roles for a variety of firms within Insurance, Fiduciary, Retail and the Banking industries. He qualified in 2004 before joining All in Black as their Financial Controller and General Manager. During his time in this role, he was successful in creating an effective management reporting solution for the business, out of which a number of key rationalisation initiatives were undertaken.

His next role took him to Credit Suisse, where he held a variety of positions, one of which was part of a project team tasked to ensure the successful deployment of their Financial Accounting function to its offices in India. More latterly Steve was employed within the Private Banking and Asset Management Division, where he held the position of Head of Financial Management for the Channel Islands.

Steve brings with him a wealth of accountancy and financial control knowledge, as well as a strong commercial acumen.

Steve was appointed Finance Director with Guernsey Post in early 2014.

Steve Hannon
NON-EXECUTIVE

Steve Hannon has over 40 years' experience in the postal industry. For the majority of that time he worked for Royal Mail, where he managed several multi million pound, high profile national projects including the introduction of postal automation, a new rail, road and air network, rationalising and revamping London's mail centre infrastructure and planning the nationwide introduction of the single letter delivery.

He also spent a two-year period as a Divisional General Manager responsible for a workforce of 13,000 people and an annual budget of £400m. During this time, he covered the complete range of management functions embracing sales, customer services, finance, human resources, planning and operations.

Since leaving Royal Mail in 2003, he has undertaken consultancy work in the postal field and became a director of Postal and Logistics Consulting Worldwide. He was appointed Chief Executive of the Company in 2008.

Between July 2006 and February 2007, he undertook the role of Interim Chief Executive of Guernsey Post.

Stuart Le Maitre
NON-EXECUTIVE

Stuart Le Maitre was born and educated in Guernsey. Following a brief period of employment at the Guernsey Post Office, he studied in Bristol and obtained a degree in Education and a post graduate qualification in careers guidance. He held a senior position in the Careers Service at Buckinghamshire County Council for five years before returning to join the Civil Service in Guernsey, where he held senior positions for the next 20 years.

During this time, his responsibilities included the development and oversight of departments responsible for industrial relations and employment legislation, trading standards and consumer affairs, health and safety in the work place and initiatives to support the development of the non-finance sector of the Island's economy. Having worked on the development of the regulatory framework for the Bailiwick of Guernsey and the establishment of the Office of Utility Regulation, he was also involved in the commercialisation of the States' Trading Utilities.

On leaving the Civil Service, Stuart undertook a variety of consultancy assignments and in 2006 was appointed as Chief Operating Officer with responsibility for the set up phase of a new local mobile telephone Company. More recently, he held the position of Chief Executive of the Medical Specialist Group in Guernsey until he resigned from this post in June 2013. He has recently taken up the position of Douzaine Representative for the Vale Parish and holds other local board positions. Stuart was appointed Deputy Industrial Disputes Officer in January 2017

Simon Milsted
NON-EXECUTIVE

On qualification as a Chartered Accountant in 1982, Simon Milsted joined the London City office of Price Waterhouse, during which time he was engaged on a series of special assignments for the Bank of England. Two consecutive assignments took him to the West Country, following which he moved his young family westwards transferring permanently to Price Waterhouse's Bristol office.

In 1988, Simon co-founded an independent firm of Chartered Accountants that soon became one of the fastest growing and most well respected independent firm of advisers in the South West, bringing a high level of specialist and consulting advice to the owner-managed business community across the region.

In 1995, Simon invested in and became non-executive chairman of the BSI Group, a business process outsource specialist in the business travel sector, which became the European leader in its field. Simon has held office as Regional President of the Institute of Chartered Accountants in England and Wales, sat on a number of Government sponsored business support bodies and was a governor and non-executive treasurer of a leading South West public school.

Since his move to Guernsey in 2010, Simon has pursued an active engagement with businesses and not for profit organisations on the Island, both in an advisory capacity and as principal.

Richard Digard
NON-EXECUTIVE

Richard Digard is a career journalist, editor and newspaper management specialist who has extensive experience at director level of running the Channel Islands' two daily newspapers plus other titles and digital publications.

Locally born and educated at Elizabeth College and Coventry University, Mr Digard became the first news editor of the Guernsey Press and Star in 1987. He was appointed Marketing Manager at Sun Alliance International Life in 1994, where he ran its marketing division, serving teams in the UK, Europe, Africa and the Far East.

He returned to the Guernsey Press and Star in 1997, and was appointed Editor in 2000. He subsequently joined the Board of the Guernsey Press Co. Ltd and then Guiton Publishing, a group board committee responsible for the strategic direction and performance of its two Channel Islands newspapers.

These experiences include a strong trading background with a hands-on approach to the challenges and opportunities created for established industries by new technology.

Since retirement in 2014, Mr Digard has been a member of the Independent Review Panel appointed by the States to consider States Members' remuneration and served as a Member of the States Scrutiny Management Committee until early 2017. Mr Digard is also a non-executive Director of a locally-based captive insurance company and has been a douzenier of the Vale Parish since 2016.

Corporate Governance Report

COMPLIANCE

Guernsey Post Limited's corporate governance arrangements are based on the proportionate and relevant application of good practice principles in corporate governance, predominantly those contained within the UK Corporate Governance Code published in April 2016 (the code). Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with the States' Trading Supervisory Board that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work on its corporate governance programme during the financial year ended 31 March 2017, and the achievements are summarised in this report.

THE BOARD

DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Company within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Company's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Company, sets its values and standards and takes decisions objectively in the interests of the Company, its Shareholder and other stakeholders.

Non-Executive Directors help to develop and challenge the Company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for Executive Directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to our Shareholder and those which can be delegated to Committees of the Board, or senior management.

There were ten board meetings held during 2016/17. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 11-12, (*13-15) together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Guernsey Post has a non-executive Chairman and a Chief Executive. There is a clear division of responsibility between the two positions, with the Chairman responsible for the running of the Board and the Chief Executive responsible for the running of the Company's business.

Andrew Duquemin spends, on average, one day per week in his role as Chairman. He is also Chairman of Elysium Fund Management Limited, amongst other external directorships. The Board considers that his external directorships do not make conflicting demands on his time as Chairman.

Simon Milsted is the Senior Independent Director and is available to talk to our Shareholder, if it has any issues or concerns.

BOARD BALANCE AND INDEPENDENCE

Throughout the year, the Company has had a balance of independent Non-Executive Directors on the Board, who ensure that no one person has disproportionate influence. All the Non-Executive Directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five Non-Executive Directors and two Executive Directors on the Board, although one of the Non-Executive Directors was only appointed to the Board on 29 March 2017.

APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of Non-Executive Directors has to be ratified by the States of Deliberation.

The Nominations Committee meets 3-4 times a year to consider the balance of the Board, job descriptions and objective criteria for Board appointments and succession planning.

INFORMATION AND PROFESSIONAL DEVELOPMENT

For each scheduled Board meeting, the Chairman and the Company Secretary ensure that, during the week before the meeting, the Directors receive a copy of the agenda for the meeting, financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The Directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled Board meeting, the Directors receive the prior month and cumulative Company financial and operating information.

All newly appointed Directors participate in an extensive internal induction programme that introduces the Director to the Company and includes visits to key stakeholders. The Company Secretary gives guidance on Board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with Board procedures. This includes recording any concerns relating to the running of the Company, or proposed actions arising therefrom that are expressed by a Director in a Board meeting. The Company Secretary is also Secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all Directors on Board procedures, corporate governance and regulatory compliance.

* These page numbers refer to the annual financial statement document approved by the auditor.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Attendance during the year for all Board and Board committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Boley Smillie	10/10			
Steve Sheridan	9/10			
Steve Hannon	9/10		3/3	2/2
Andrew Duquemin	8/10	4/5		
Simon Milsted	8/10	4/5		
Stuart Le Maitre	10/10		3/3	2/2

(A) The first figure represents attendance and the second figure the possible number of meetings e.g. 9/10 represents attendance at 9 out of a possible 10 meetings. Where a Director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down, or after the date of appointment, are shown.

PERFORMANCE EVALUATION

The Board undergoes an annual evaluation of its performance. The evaluation consists of a confidential questionnaire, which is independently assessed, and a report that is then submitted to the Board, followed by an open discussion facilitated by the Chairman.

ELECTION AND RE-ELECTION OF DIRECTORS

Guernsey Post Limited's Articles state that a Non-Executive Director should be proposed for re-election, if he or she has been appointed to the Board since the date of the last Annual General Meeting (AGM), or proposed for re-election if he or she has held office more than three years at the date of the notice convening the next AGM. The Board ensures that each Non-Executive Director submits himself or herself for re-election by the Shareholder at least every three years.

Non-Executive Directors serve the Company under letters of appointment, which are generally for an initial three year term. Their appointment is also ratified by the States of Deliberation.

In accordance with the Articles of Association, Steve Hannon and Stuart le Maitre are due to retire by rotation and, being eligible, offer themselves up for re-election at the forthcoming AGM. As last year, Steve offers himself for re-election on a rolling one year basis, whereas Stuart offers himself up for re-election for a further three year period.

REMUNERATION

The Board recognises the importance of Executive Directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive Directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and Non-Executive Directors are determined by the States' Trading Supervisory Board, and, at the request of those Board members, have remained unchanged since 2010.

The Remuneration Committee, which is chaired by Stuart Le Maitre, consists of two Non-Executive Directors and determines remuneration levels and specific packages appropriate for each Executive Director - taking into account the Company's annual salary negotiations. No Director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the Directors, which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The intention of the Annual Report is to provide a clear assessment of the performance and prospects of Guernsey Post Limited. The Company has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including balance sheet, cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised half yearly in the light of this comparison and are also reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

All Directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and, where possible, mitigate the Company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented, or detected, within a timely period.

In 2012, the Audit Committee considered the need for an internal audit function and concluded that the financial position, size and complexity of the Company could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team.

AUDIT COMMITTEE AND AUDITOR

The Board has delegated responsibility to the Audit Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the Company's relationship with the Company's external auditor.

The Committee members comprise independent Non-Executive Directors. Simon Milsted, who is a qualified accountant, was appointed as the Chairman of the Audit Committee and the Board is satisfied that Simon has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Andrew Duquemin is the other member of the Audit Committee. Andrew is also a qualified accountant with a wide range of business experience With the appointment of Richard Digard as a Non-Executive Director, the Board ratified his appointment as a member of the Audit Committee at its meeting of 17 April 2017. As a result, Andrew has stepped down from this role with effect from this date, so as to avoid any conflict of interest with his role as Chairman.

The Audit Committee most recently went out to tender for the Company's external auditors during 2012/13 and, following a rigorous process, the Audit Committee recommended the re-appointment of KPMG on a rolling one-year basis, which was ratified by the Board and the Shareholder and which will continue for 2017/18.

The Committee meets once a year with representatives of the Company's external auditor, and the Chief Executive and the Finance Director also attend the meetings.

SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There have been regular meetings between the Chief Executive and the Finance Director of Guernsey Post, and senior staff of the States' Trading Supervisory Board. The Company presents its strategic plan to our Shareholder for approval every year.

Following changes to the Constitution of the States of Deliberation, with effect from 1 May 2016, the role of Shareholder representative passed to the States' Trading Supervisory Board.

The Chairman and Senior Independent Director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the Non-Executive Directors meet with our Shareholder at the AGM.

The date of the AGM is agreed with our Shareholder and ten days working notice is given. The AGM is chaired by Guernsey Post, with presentations made by the Executive Team to facilitate awareness of the Company's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each Board committee during the AGM.

COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

In addition to regular scheduled Board meetings, the Company operates through various Board committees, of which the membership and main terms of reference are set out below (except the Audit Committee which is outlined above).

Stuart Le Maitre is the Chairman of the Nominations Committee, supported by Steve Hannon. The main terms of reference of this Committee are to regularly review the structure, size and composition of the Board and to make recommendations on the role and nomination of Directors for appointment to the Board, Board Committees and as holders of any executive office, as well as ensuring that appropriate succession plans are in place for the Board and the Executive Team. The Committee met three times in 2016/17 and all members of the Committee were present.

Stuart Le Maitre is also the Chairman of the Remuneration Committee, supported by Steve Hannon. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and to determine the policy for, and scope of, pension arrangements for each Executive Director. The Committee met twice in 2016/17 and all members of the Committee were present.

Simon Milsted is the Chairman of the Pensions Committee, supported by Andrew Duquemin, the Chief Executive and the Finance Director. The main terms of reference of this Committee are to review and make recommendations to the Board on the Company's retirement and post-retirement benefit arrangements, including the control and funding of such arrangements.

DIRECTORS' REPORT

The Directors present their annual report, together with the financial statements, for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Channel Islands Competition and Regulatory Authority (CICRA) (formerly the Office of Utility Regulation).

The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

SIGNIFICANT EVENTS

The main significant events that have occurred during the 2016/17 financial year are the significant changes in the company's pension scheme arrangements, and the impact that this has had on both the Company's Balance Sheet and Profit and Loss Account. There was also a return of Shareholder capital via a £6m share buyback, thereby reducing the Company's cash balances. In addition, there were significant investment returns achieved on funds invested by the States Treasury on the Company's behalf.

RESULTS

The results for the year are shown in the profit and loss account on page 15 (*21).

DIVIDEND

The Directors recommend a dividend of £564k based upon the profits for the year ended 31 March 2017 (2016: nil)

In addition, the Directors recommend a one off special dividend of £1m based upon the exceptional performance on funds held by the States Treasury on the Company's behalf.

FIXED ASSETS

Fixed asset movements for the year are disclosed in note 7 to the financial statements.

DIRECTORS

The Directors of the Company, who served throughout the year and at the date of this report, were as follows:

A Duquemin
B Smillie
S Sheridan
S Hannon
S Le Maitre
S Milsted
R Digard (appointed 29 March 2017)

No Director has an interest, either beneficially or non beneficially, in any shares of the Company (2016: no interest beneficially, or non beneficially).

In accordance with the Articles of Association, Steve Hannon and Stuart Le Maitre are due to retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. In Steve's case, this will be on a rolling one year basis, whereas Stuart will be proposed for re-election for a new three year period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, including FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Channel Islands Limited has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

B Smillie
Chief Executive

A M Duquemin
Chairman

*These page numbers refer to the annual financial statements document approved by the auditors

KPMG

Glategny Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 1WR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

We have audited the financial statements of Guernsey Post Limited (the "Company") for the year ended 31 March 2017, which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the statement of directors' responsibilities set out on page 13 (*17), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- are in accordance with United Kingdom Accounting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Chartered Accountants Guernsey

*These page numbers refer to the annual financial statements document approved by the auditors

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**31 March 2017 £'000**	31 March 2016 £'000
Turnover		**31,045**	30,906
Expenses	2	**(28,744)**	(30,417)
Operating Profit		**2,301**	489
Other income			
Interest income	3	**1,464**	176
Rent income		**119**	118
Revaluation of Investment Properties	8	**(25)**	(40)
Profit on ordinary activities before net gain on pension scheme		**3,859**	743
Net expense on pension scheme	15	**(328)**	(806)
Curtailment and settlement of defined benefit pension scheme	15	**26,342**	-
Profit / (loss) on ordinary activities before taxation		**29,873**	(63)
Tax on profit / (loss) on ordinary activities	4	**(5,789)**	451
Profit for the financial year		**24,084**	388
Other comprehensive income			
Remeasurement of defined benefit liability	15	**369**	(482)
(Decrease) / Increase in deferred tax asset on actuarial losses	11	**(74)**	97
Other comprehensive income / (loss) for the year		**295**	(385)
Total comprehensive income for the year		**24,379**	3

All activities derive from continuing operations

The notes on pages 19 -31 (*25-42) form an integral part of these financial statements

**These page numbers refer to the original Financial Statements document approved by the auditors.*

BALANCE SHEET

At 31 March 2017

	Notes	**31 March 2017 £'000**	31 March 2016 £'000
Fixed assets			
Intangible fixed assets	6	**53**	107
Tangible fixed assets	7	**10,957**	11,291
Investment property	8	**975**	1,000
Investment in subsidiaries	9	**-**	-
		11,985	12,398
Current assets			
Stock		**186**	256
Debtors	10	**3,460**	2,811
Debtors greater than one year:- Deferred tax	11	**180**	5,855
Balances with States Treasury	12	**10,137**	13,735
Cash at bank and in hand		**994**	1,877
		14,957	24,534
Creditors: Amounts falling due within one year	13	**(3,513)**	(4,298)
Net current assets		**11,444**	20,236
Total assets less current liabilities		**23,429**	32,634
Provisions	18	**(1,066)**	-
Net assets excluding pension liability		**22,363**	32,634
Pension liability	15	**-**	(28,450)
Net assets including pension liability		**22,363**	4,184
Capital and reserves			
Shareholder's capital	14	**7,886**	13,886
Profit and loss account		**14,477**	(9,702)
		22,363	4,184

The financial statements were approved by the Board of Directors and authorised for issue on 10 July 2017.
They were signed on its behalf by:

B Smillie
Chief Executive

A M Duquemin
Chairman

The notes on pages 19-31 (*25-42) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Shareholders Capital	Profit and loss account	Total Equity
	£,000	£'000	**£'000**
Balance at 1 April 2015	13,886	(9,705)	**4,181**
Total comprehensive income for the year			
Profit or Loss for the year	-	388	**388**
Remeasurement of defined benefit liability	-	(482)	**(482)**
Increase in deferred tax asset on actuarial losses	-	97	**97**
Total comprehensive income for the year	**-**	3	**3**
Transactions with owners, recorded directly in equity			
Dividends	-	-	**-**
Total contributions by and distributions to owners	**-**	-	**-**
Balance at 31 March 2016	13,886	(9,702)	**4,184**
Balance at 1 April 2016	13,886	(9,702)	**4,184**
Total comprehensive income for the year			
Profit for the financial year	-	24,084	**24,084**
Remeasurement of defined benefit liability	-	369	**369**
Increase in deferred tax asset on actuarial losses	-	(74)	**(74)**
Total comprehensive income for the year	-	24,379	**24,379**
Transactions with owners, recorded directly in purchase of own shares	(6,000)		**(6,000)**
Dividends	-	(200)	**(200)**
Total contributions by and distributions to owners	(6,000)	(200)	(6,200)
Balance at 31 March 2017	7,886	14,477	**22,363**

The notes on pages 19 - 31 (*25-42) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CASH FLOW STATEMENT

For the year ended 31 March 2017

	Notes		31 March 2017 £'000		31 March 2016 £'000
Operating activities					
Profit or loss for the financial year			**24,084**		388
Adjustments for:					
Depreciation and amortisation			**942**		990
Profit on disposal of fixed assets			**(4)**		(3)
Interest receivable and similar income			**(1,583)**		(294)
Revaluation of investment property			**25**		40
Net pension scheme service costs			**(28,170)**		2,825
Taxation			**5,789**		(451)
(Increase) / decrease in stocks			**70**		(41)
(Increase) / decrease in debtors			**(618)**		232
Increase in creditors			**148**		856
Net cash generated from operations			**683**		4,542
Interest received		**1,433**		210	
Rent received		**119**		118	
Tax Paid		**(59)**		(77)	
Net cash inflow from operating activities			**1,493**		251
Investing activities					
Purchase of tangible fixed assets		**(461)**		(669)	
Proceeds from sale of tangible fixed assets		**4**		3	
Net cash outflow from investing activities			**(457)**		(666)
Cash flows from financing activities					
Dividend paid	5	**(200)**		-	
Share buyback		**(6,000)**		-	
Net cash from financing activities			**(6,200)**		-
Net increase/(decrease) in cash and cash equivalents			**(4,481)**		4,127
(Decrease) / increase in cash balances			**(4,481)**		4,127
Cash and cash equivalents at 1 April 2016			**15,612**		11,485
Cash at bank and in hand as at 31 March 2017			**11,131**		15,612
Represented by:					
Balances with States Treasury			**10,137**		13,735
Cash			**994**		1,877
			11,131		15,612

The notes on pages 19-31 (*25-42) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

1. Significant accounting policies

Reporting entity

Guernsey Post Limited (the "Company") was established on 1 October 2001 and is registered in Guernsey. The Company's registered address is Envoy House, La Vrangue, St Peter Port, Guernsey, GY1 1AA. The Company is governed by the provision of the Companies (Guernsey) Law, 2008. The principal activity of the Company is the provision of Postal Services throughout the Bailiwick.

Basis of accounting

The financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in compliance with the UK Accounting Standards, including the Financial Reporting Standard 102. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:-

- Note 8 - Investment Property
- Note 16 - Lease Classification

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to amounts reported in the financial statement for the year ending 31 March 2017 is included in the following notes:-

- Note 8 - Investment Property - determination of fair value of investment property
- Note 11 - Deferred Tax - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used

c. Classifications

Certain amounts in these annual financial statements have been reclassified to conform with 2017 presentation.

Basis of measurement

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold investment properties.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Turnover

Sales of stamps and the crediting of franking machines are accounted for on a receipt of funds basis and no provision is made for postal services expected to be provided for stamps in circulation, as the Directors deem this to be immaterial. All other income from goods and services supplied are accounted for on an accruals basis.

Other income

Rental income is recognised on a straight line basis over the term of the lease. Interest income is recognised in the Profit and Loss Account using the effective interest method.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling, or delivering, mail in respect of stamps and franking machine credits sold but unused at the Balance Sheet date.

Taxation

The Company, as a Guernsey Utility Company regulated by the Channel Islands Competiton and Regulatory Authority (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the Balance Sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividends

Dividends paid are recognised when the obligation to pay has been established.

De-recognition of assets

Non-financial assets are removed from the Balance Sheet, either on disposal, or when they are withdrawn from use and no future economic benefits are expected from their use. In this event, any carrying amount is written off to the Profit and Loss Account.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In the event that there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Profit and Loss Account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

1. Significant accounting policies - continued

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. Commemorative stamp costs are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. An impairment review is carried out every year and any necessary provision is recognised in the Profit and Loss Account.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition.

There are periodic reviews of fixed assets and any adjustments required will be recognised in the Profit and Loss Account, as and when identified.

	Estimated useful life in years	Depreciation %per annum
Freehold land	N/A	Nil
Buildings	8 - 50	2 - 12.5
Plant and equipment	15	6.67
Furniture & Fittings	3 -13	7.7 - 33.3
Postal Machinery	8 -15	6.67 - 12.5
Transport	5 - 10	10 - 20

Basic Financial Instruments

Cash at bank and in hand comprises cash balances, call deposits and deposits held with the States of Guernsey Treasury.

Debtors are initially recognised at transaction price less attributable transaction costs. Doubtful debts are recognised when collection of the full amount is no longer probable, with the amount of the loss recognised in the Profit and Loss Account.

Creditors are initially recognised at transaction price.

Investment in subsidiaries

The investment in subsidiaries is stated at cost. The subsidiaries have not been consolidated on the basis that they are dormant, and non-consolidation does not have a material impact on these financial statements.

Foreign currency

Foreign currency held in any bank account is translated at the exchange rate prevailing at the Balance Sheet date. In the event of any gains or losses arising, these are taken to the Profit and Loss Account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

Pension costs

On 31 July 2016, all of the Company's active members left the States of Guernsey Public Servants Pension Scheme in respect of future service accrual, resulting in them being classified as deferred members. All of the Company's newly deferred and existing deferred and pensionable members benefits as at 31 July 2016 were subsequently transferred to the combined pool section of the States of Guernsey Public Servants Pension Scheme. The agreement allowed for the transfer of the value of the Guernsey Post Actuarial Fund to the States of Guernsey and the subsequent removal of all historic defined benefit pension reporting obligations from the company's Balance Sheet as at 31 July 2016

Up to this point, the employees' pension scheme was a defined benefit scheme, with service costs charged to the Profit and Loss Account, together with the finance costs and income for the scheme and the associated curtailment gain realised upon the exiting of the scheme. Actuarial gains and losses are recognised in full in Other Comprehensive Income for the period in which they occurred.

From 1 August 2016, the Company established a new defined contribution pension scheme, for which all eligible staff had the option of joining. Both the Company and its employees pay contributions into this independently administered fund. The cost of providing these benefits are recognised within the Profit and Loss Account, and comprise both the amount of contributions payable to the scheme and associated scheme administration costs for the year.

Investment property

The Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the Profit and Loss Account.

Provisions

Provisions are recognised when the Company has a present and legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligations and the amount has been readily estimated. Changes in the estimated timing or amount of the expenditure are recognised in the profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

2. Expenses

	31 March 2017 £'000	31 March 2016 £'000
Direct costs	**13,734**	14,024
Staff costs	**10,593**	10,560
Directors' remuneration	**437**	378
Other staff expenditure	**555**	319
Support costs	**2,165**	2,128
Depreciation	**888**	936
Amortisation of goodwill	**54**	54
Pension costs	**318**	2,018
Total	**28,744**	30,417

Average full time equivalent employee numbers for the period were as follows:

	31 March 2017	31 March 2016
Operational staff, including postmen and women, post office counter staff and philatelic production staff	**182**	178
All other staff	**45**	48
Total	**227**	226

3. Interest income

	31 March 2017 £'000	31 March 2016 £'000
States Treasury	**1,463**	173
Other	**1**	3
Total	**1,464**	176

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

4. Taxation

	Note	31 March 2017 £'000	31 March 2016 £'000
Current year tax		**144**	115
Prior year tax		**44**	16
Deferred tax credit for the year	11	**5,601**	(582)
Total		**5,789**	(451)

Guernsey Post Limited, as a Guernsey Utility Company regulated by the Channel Islands Competition and Regulatory Authority (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis.

Income from Guernsey land is also subject to the higher rate of income tax of 20%

The actual tax credit differs from the expected tax charge computed by applying the higher rate of Guernsey income tax of 20% as follows:

	31 March 2017 £'000	31 March 2016 £'000
Profit / (Loss) on ordinary activities before taxation	**29,873**	(63)
Tax at 20%	**5,974**	(13)
Effects of adjusting items:		
Timing differences	**28**	29
Sundry adjustment to prior years' tax	**44**	16
Disallowed expenses	**17**	19
Rate differences on current tax	**(259)**	(485)
Adjustment for pension costs	**(5,616)**	565
Current tax charge	**188**	131
Deferred tax - pension deficit	**5,616**	(565)
Deferred tax - timing differences	**(15)**	(17)
Profit and loss taxation charge / (credit)	**5,789**	(451)

5. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2017 £'000	31 March 2016 £'000
Final dividend for the year ended 31 March 2017 of 1.44p (31 March 2016: Nil)	**200**	-

The Board is proposing a final dividend of £564k in respect of the year ended 31 March 2017. (2016: £200k).

The Board is also proposing a one off special dividend of £1m in respect of the year ended 31 March 2017, based upon the exceptional performance on funds held by the States Treasury on the Company's behalf.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

6. Intangible fixed assets

	31 March 2017 Goodwill £'000	31 March 2017 Goodwill £'000
Opening cost	**543**	543
Opening accumulated amortisation	**(436)**	(382)
Opening carrying amount	**107**	161
Amortisation charge for the year	**(54)**	(54)
Closing carrying amount	**53**	107
Represented by:		
Closing cost	**543**	543
Closing accumulated amortisation	**(490)**	(436)
Total	**53**	107

The goodwill arose on the acquisition of the trade and net assets of BATIF Bureau de Change Limited in 2008.

7. Tangible fixed assets

	Motor Vehicles £'000	Land & Buildings £'000	Plant & Equipment £'000	Postal Machinery £'000	Furniture & Fittings £'000	**Total £'000**
Opening cost as at 1 April 2016	1,366	11,577	2,662	2,269	1,669	**19,543**
Opening accumulated depreciation as at 1 April 2016	(977)	(2,692)	(2,534)	(902)	(1,147)	**(8,252)**
Opening Carrying amount as at 1 April 2016	389	8,885	128	1,367	522	**11,291**
Additions	227	109	-	5	213	**554**
Depreciation	(168)	(249)	(128)	(200)	(143)	**(888)**
Disposals	-	-	-	-	-	-
Closing carrying amount as at 31 March 2017	448	8,745	-	1,172	592	**10,957**
Represented by:						
Closing cost as at 31 March 2017	1,593	11,686	2,662	2,259	1,875	**20,075**
Closing accumulated depreciation as at 31 March 2017	(1,145)	(2,941)	(2,662)	(1,087)	(1,283)	**(9,118)**
Total	448	8,745	-	1,172	592	**10,957**

Freehold land with a value of £2,505,000 (2016: £2,505,000) is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

8. Investment property

	Market Value 31 March 2017	Market Value 31 March 2016
Reconciliation of carrying amount	**£'000**	£'000
Balance at 1 April 2016	**1,000**	1,040
Change in fair value	**(25)**	(40)
Balance at 31 March 2017	**975**	1,000

Investment property comprises a single property, which is leased to tenants, comprising part residential and part commercial occupancy. Leases for the residential tenants are reviewed annually, whereas the commercial tenant is subject to a 20 year lease with triennial reviews.

Changes in fair value are recognised as gains in profit or loss and included in 'Other Income'. All gains or losses are unrealised.

The fair value of the investment property was determined by an external independent property valuer with recognised professional qualifications and recent experience in the location and category of the property being valued.

9. Investment in subsidiaries

	31 March 2017	31 March 2016
	£'000	£'000
BATIF Bureau de Change Limited	-	-
	-	-

On 1 April 2008, the Company acquired 100% of the issued share capital of BATIF Bureau de Change Limited, which consists of 100 fully paid up £1 shares. Upon acquisition, the trade and net assets of BATIF Bureau de Change Limited were transferred to Guernsey Post Limited and BATIF Bureau de Change Limited changed to a dormant company. Guernsey Post Limited pays the administration costs for this company.

10. Debtors

	31 March 2017	31 March 2016
	£'000	£'000
Trade debtors	**3,005**	2,434
Less: Provision for bad debt	**-**	(38)
Other debtors	**9**	13
Prepayment and accrued income	**383**	371
Interest receivable	**63**	31
Total	**3,460**	2,811

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

11. Deferred Tax

	Deferred taxation - Accelerated Capital Allowances	Deferred taxation - Pension deficit/surplus	Total
	£'000	**£'000**	**£'000**
At 1 April 2016	165	5,690	**5,855**
Charged to other comprehensive income	-	(74)	**(74)**
Debit to profit and loss account	15	(5,616)	**(5,601)**
At 31 March 2017	180	-	**180**

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by CICRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income. Income from Guernsey land is also subject to the higher rate of income tax of 20%

12. Balance with States Treasury

The Treasury Department of the States of Guernsey is engaged to invest the company's liquid funds in excess of its daily requirements.

13. Creditors

	31 March 2017	31 March 2016
	£'000	£'000
Amounts falling due within one year		
Trade creditors	**975**	1,217
Other creditors	**1,443**	2,192
Accruals and deferred income	**858**	781
Rental income paid in advance	**33**	32
Taxation payable	**204**	76
Total	**3,513**	4,298

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

14. Shareholder's capital

	31 March 2017	31 March 2016
	£'000	£'000
Authorised		
40,000,000 ordinary shares of £1 each	**40,000**	40,000

	No of shares	£'000
Allotted and fully-paid	13,886,000	13,886
Opening share capital at 1 April 2016	13,886,000	13,886
Repurchase of share capital	(6,000,000)	(6,000)
As at 31 March 2017	7,886,000	7,886

100% of the shares of the Company are owned beneficially by the States of Guernsey.

Shareholder's capital - represents the nominal value of shares that have been issued.

Profit and loss account - includes all current and prior period retained profits and losses.

15. Pension Fund

The final salary section of the fund was closed to new members with effect from 1 May 2015, and employees hired after that date were eligible to join a new Career Average Revalued (CARE) section. From 1 March 2016, accrual ceased in the final salary section for all members, other than for some protected members, and members were transferred to the CARE section for future service accrual of benefits from this date. Within the CARE section, members' pay is pensionable up to an earnings cap. Contributions on earnings above this cap from both the Company (at 12%) and employees are paid to a defined contribution section of the Superannuation Fund.

On 25 April 2016, the Company entered into an agreement with the States of Guernsey to cease overall active membership of the States of Guernsey Public Servants Pension Scheme. On 31 July 2016, all of the Company's active members left the Scheme in respect of future service accrual, resulting in them being classified as deferred members. All of the Company's newly deferred and existing deferred and pensionable members benefits as at 31 July 2016 were subsequently transferred to the combined pool section of the States of Guernsey Public Servants Pension Scheme. The agreement allowed for the transfer of the value of the Guernsey Post Actuarial Fund to the States of Guernsey and the subsequent removal of all historic defined benefit pension financial commitments from the Company's Balance Sheet as at 31 July 2016.

The transfer value was calculated as at 31 March 2016, based on market conditions on that date and assuming that all members remained in service until 31 July 2016, at which point they left the scheme and became deferred members. The calculations also allowed for the changes made to the rules of the scheme with effect from 1 March 2016, the point at which the new CARE Scheme was established. The transfer value was calculated on the actuarial basis adopted for the valuation of the Scheme as at 31 December 2013, updated for market conditions to 31 March 2016 and with a discount rate reduced to the expected rate of UK inflation plus 2.5% pa.

Reflecting the methodology above and using the disclosed actuarial assumptions as at 31 March 2016, the actuarial calculations based on membership of the States of Guernsey Public Servants Pension Scheme up to 31 July 2016, and the associated curtailment and settlement gains on the transfer date, was carried out as at 31 March 2017 by Mrs D Simon, Fellow of the Institute of Actuaries, on behalf of BWCI Limited.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

15. Pension Fund (cont'd)

The amounts recognised in the Balance Sheet are as follows:

	31 March 2017	31 March 2016
	£'000	£'000
Fair value of actuarial account assets	**-**	39,829
Present value of funded obligations	**-**	(68,279)
Net under funding in actuarial account	**-**	(28,450)
Deferred tax on net pension liability	**-**	5,690
Net defined benefit liability	**-**	(22,760)

The amounts recognised in the Profit or Loss are as follows:

	31 March 2017	31 March 2016
	£'000	£'000
Service cost	**606**	2,971
Curtailment costs /(gains)	**(6,151)**	-
Settlement costs / (gains)	**(22,577)**	-
Net Interest on net defined benefit liability	**328**	806
(Gain) / expense recognised in Profit and Loss	**(27,794)**	3,777

The amount of £26.3m reported in the Profit and Loss Account, relates to the curtailment and settlement gains, net of closure costs, associated with the Company exiting the defined benefit States of Guernsey Public Servants Pension Scheme and moving to a defined contribution equivalent.

The net Interest on net defined benefit liability item is broken down as follows:

	31 March 2017	31 March 2016
	£'000	£'000
Interest on obligation	**794**	2,124
Interest on assets	**(466)**	(1,318)
Net interest on net defined benefit liability	**328**	806

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

15. Pension Fund (continued)

The amounts recognised as remeasurements in Other Comprehensive Income are as follows:

	31 March 2017 £'000	31 March 2016 £'000
Return / (losses) on assets (not included in interest)	**248**	(1,512)
Actuarial gains on obligation	**121**	1,030
Total remeasurements recognised in Other Comprehensive Income	**369**	(482)
Cumulative amount of remeasurements recognised in Other Comprehensive Income	**(8,696)**	(9,064)
Actual return on actuarial accounts assets	**713**	(194)

Changes in the present value of the actuarial account's defined benefit obligation are as follows:

	31 March 2017 £'000	31 March 2016 £'000
Opening defined benefit obligation	**68,279**	64,970
Service cost	**606**	2,971
Contributions by members	**155**	427
Curtailment gains	**(6,151)**	-
Liabilities extinguished on settlements	**(63,087)**	-
Benefits paid	**(475)**	(1,183)
Interest on obligation	**794**	2,124
Experience (gains) / losses	**(121)**	3,163
Losses from changes in assumptions	**-**	(4,193)
Closing defined benefit obligation	**-**	68,279

Changes in the fair value of actuarial account assets are as follows:

	31 March 2017 £'000	31 March 2016 £'000
Opening fair value of actuarial account assets	**39,829**	39,826
Interest on assets	**466**	1,318
Returns / (losses) on assets (not included in interest)	**248**	(1,512)
Assets distributed on settlements	**(40,510)**	-
Contributions by employer	**304**	978
Contributions by members	**155**	427
Benefits paid	**(475)**	(1,183)
Administration expenses	**(17)**	(25)
Closing fair value of actuarial account assets	**-**	39,829

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

15. Pension Fund (continued)

The major categories of actuarial account assets as a percentage of the total are as follows:

	31 March 2017	31 March 2016
	%	%
Equities	**-**	76
Gilts	**-**	1
Corporate Bonds	**-**	14
Property	**-**	7
Other Assets	**-**	2

Principal actuarial assumptions used for the FRS 102 disclosures:

	31 March 2017	31 March 2016
	% pa	% pa
Discount rate at end of year	-	3.50
Discount rate at start of year	-	3.30
Inflation	-	3.40
Rate of increase in pensionable salaries	-	4.15
Rate of increase in deferred pensions	-	3.40
Rate of increase in pensions in payment	-	3.40

Mortality assumptions

The mortality assumptions in 2016 were based on standard mortality tables which allow for future mortality improvements. The assumptions were that a member aged 65 will live on average until age 87, if they are male, and until age 90, if female. For a member currently aged 45, the assumptions were that, if they attain age 65, they will live on average until age 89, if they are male, and until age 92, if female.

Responsibility for assumptions

As required by FRS 102, the assumptions used to calculate the surplus in the actuarial account at 31 July 2016 were the final assumptions adopted for the 31 March 2016 disclosures.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

16. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	31 March 2017 Land and buildings £'000	31 March 2016 Land and buildings £'000
Less than one year	**89**	89
Between one and five years	**197**	266
More than five years	**11**	12
	297	367

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

The Company leases two properties in St Peter Port to run one of its retail outlets and also its foreign exchange business. In addition, the company leases property to fulfil its postal operation in Alderney.

17. Related party transactions

The Company is wholly owned and ultimately controlled by the States of Guernsey.

Through the normal course of its business activity, the Company both purchases and provides services to its Shareholder, or entities, under the controlling influence of the Shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2017 amount to 2.1% of total turnover (2016: 2.1%). The total value of purchases for the year amounted to 2.9% of total expenses (2016: 2.7%), the latter percentage calculated after excluding the non-recurring exceptional item relating to the financial impact on the Company leaving the defined benefit States of Guernsey Public Servants Pension Scheme .

The States also provides, through its Policy & Resources Department, management of the Company's liquid funds in excess of short term needs.
At 31 March 2017, the balance held was £10,137,576 (2016: £13,734,828).

Director's remuneration is shown in note 2.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2017

18. Provisions

	Long Term Liability	Dilapidations	Total
	£'000	£'000	£'000
Balance at 1 April 2016	-	-	**-**
Provision made during the year	2,424	93	**2,517**
Provision used during the year	(663)	-	**(663)**
Provision reversed during the year	(38)	-	**(38)**
Balance at 31 March 2017	1,723	93	**1,816**
Non-current	973	93	**1,066**
Current	750	-	**750**
	1,723	93	**1,816**

Long term liability

The Long term liability provision relates to deferred commitments associated with, and intrinsic to, the successful exit of the States of Guernsey Public Servants Pension Scheme from 31 July 2016.

Dilapidations

This provision is in respect of the reinstatement obligations related to the Smith Street leasehold property and will be utilised within three years.

Contingent obligations - Financial Guarantee Contracts

Guernsey Post has financial guarantee contracts in place with States of Guernsey Customs and Excise and HM Revenue and Customs for £25,000, and £200,000, respectively. These contingent obligations are in place to provide security in the event that import and export duties paid to Guernsey Post from its customer base are not subsequently paid on to the respective authorities. Guernsey Post does not carry any liability to either the States of Guernsey Customs and Excise, or HM Revenue and Customs, in the event that customers directly withhold payment of import and export duties to Guernsey Post.

Guernsey Post Limited
Envoy House, La Vrangue, St Peter Port, Guernsey GY1 1AA
Telephone: 726241 Facsimile: 712082

INVESTOR IN PEOPLE